

# **DESERT SANDS UNIFIED SCHOOL DISTRICT**

Audit Report

## **STANDARDIZED TESTING AND REPORTING PROGRAM**

Chapter 828, Statutes of 1997

*July 1, 1997, through June 30, 2004*



**JOHN CHIANG**  
California State Controller

June 2011



**JOHN CHIANG**  
**California State Controller**

June 30, 2011

Michael Duran, President  
Board of Education  
Desert Sands Unified School District  
47-950 Dune Palms Road  
La Quinta, CA 92253

Dear Mr. Duran:

The State Controller's Office audited the costs claimed by the Desert Sands Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

This corrected final report supersedes our previously issued report dated June 17, 2011. We corrected the reported amount paid by the State for the fiscal year 1999-2000.

The district claimed \$2,371,644 for the mandated program. Our audit disclosed that \$474,130 is allowable and \$1,897,514 is unallowable. The costs are unallowable primarily because the district claimed unsupported costs and did not report applicable offsetting savings/reimbursements. The State paid the district \$750,684. The amount paid exceeds allowable costs claimed by \$276,554.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/wm

cc: Sharon P. McGehee, Ph.D., Superintendent  
Desert Sands Unified School District  
Cynthia McDaniel, Assitant Superintendent, Business Services  
Desert Sands Unified School District  
Karen Stone, Director of Fiscal Services  
Desert Sands Unified School District  
Cathy Doyle, Administrator for  
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Desert Sands Unified School District  
Kenneth M. Young, County Superintendent of Schools  
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Carol Bingham, Director  
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Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Desert Sands Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$2,371,644 for the mandated program. Our audit disclosed that \$474,130 is allowable and \$1,897,514 is unallowable. The costs are unallowable primarily because the district claimed unsupported costs and did not report applicable offsetting savings/reimbursements. The State paid the district \$750,684. The amount paid exceeds allowable costs claimed by \$276,554.

## Background

Chapter 828, Statutes of 1997, amended Education Code sections 60607, 60609, 60615, and 60630, and added Education Code sections 60640 through 60641, and 60643. Chapter 828, Statutes of 1997, and the implementing regulations in the California Code of Regulations, Title 5, sections 850 through 904, established the Standardized Testing and Reporting (STAR) Program related to achievement testing school districts must administer to pupils in the State.

The STAR Program requires school districts, between March 15 and May 15 each year, to test all students in grades 2 through 11 with a nationally-normed achievement test designated by the State Board of Education. School districts administer the Stanford Achievement Test, Ninth Edition (SAT-9) test in English to all pupils enrolled in grades 2 through 11 from fiscal year (FY) 1997-98 through FY 2001-02. The California Achievement Test, Sixth Edition Survey (CAT/6) replaced the SAT-9 test effective for FY 2002-03. School districts administered the CAT/6 test in English to all pupils enrolled in grades 2 through 11 for FY 2002-03 and FY 2003-04. In addition, school districts administered an additional test, the Spanish Assessments of Basic Education Second Edition (SABE/2), to every Spanish-speaking pupil of limited English proficiency who was enrolled in grades 2 through 11 if the pupil was initially enrolled in any public school in the state less than 12 months prior to the date the English language SAT-9 test was given. School districts are also required to engage in numerous activities related to test administration and reporting.

On August 24, 2000, the Commission on State Mandates (CSM) determined that the legislation imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

**Objective, Scope,  
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Standardized Testing and Reporting Program for the period of July 1, 1997, through June 30, 2004. Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Desert Sands Unified School District claimed \$2,371,644 for costs of the Standardized Testing and Reporting Program. Our audit disclosed that \$474,130 is allowable and \$1,897,514 is unallowable. The State paid the district \$750,684. The amount paid exceeds allowable costs by \$276,554.

For the FY 1997-98 claim, the State made no payments to the district. Our audit determined that \$26,328 is allowable. The State will pay allowable costs claimed contingent upon available appropriations.

For the FY 1998-99 claim, the State made no payments to the district. Our audit determined that \$16,640 is allowable. The State will pay allowable costs claimed contingent upon available appropriations.

For the FY 1999-2000 claim, the State paid the district \$333,244. Our audit disclosed that \$93,237 is allowable. The State will offset \$240,007 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2000-01 claim, the State paid the district \$417,440. Our audit disclosed that \$98,232 is allowable. The State will offset \$319,208 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2001-02 claim, the State made no payments to the district. Our audit determined that \$101,328 is allowable. The State will pay allowable costs claimed contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payments to the district. Our audit determined that \$98,726 is allowable. The State will pay allowable costs claimed contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payments to the district. Our audit determined that \$39,639 is allowable. The State will pay allowable costs claimed contingent upon available appropriations.

### **Views of Responsible Official**

We issued a draft audit report on June 3, 2011. Cathy Doyle, Administrator for Assessment and Accountability, responded by telephone on June 14, 2011, stating that the district needs an additional two weeks to review and comment on the documentation supporting the audit findings. We informed the district that, though the final report will be issued on June 17, 2011, we will review the district's comment and accompanying documentation and reissue the final report, as appropriate. This revised final report corrects the reported amount paid by the State for FY 1999-2000, identified in the final report issued June 17, 2011.

### **Restricted Use**

This report is solely for the information and use of the Desert Sands Unified School District, the Riverside County Office of Education, the California Department of Education, the California Department of Finance, and the SCO. It is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

June 30, 2011

# Schedule 1— Summary of Program Costs July 1, 1997, through June 30, 2004

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1997, through June 30, 1998</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 25,375	\$ 9,572	\$ (15,803)	Finding 1
Test materials, supplies, and equipment	6,013	—	(6,013)	Finding 1
Pretest and post-test coordination	171,587	94,536	(77,051)	Finding 1
Test administration	4,589	23,796	19,207	Finding 1
Reporting and recordkeeping	117,429	3,776	(113,653)	Finding 1
Total salaries and benefits	324,993	131,680	(193,313)	
Materials and supplies:				
Reporting and recordkeeping	—	4,987	4,987	Finding 2
Total direct costs	324,993	136,667	(188,326)	
Indirect costs	14,072	6,915	(7,157)	Finding 3
Total direct and indirect costs	339,065	143,582	(195,483)	
Less offsetting savings/reimbursements	—	(117,254)	(117,254)	Finding 4
Total program costs	\$ 339,065	26,328	\$ (312,737)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 26,328		
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 27,402	\$ 6,438	\$ (20,964)	Finding 1
Test materials, supplies, and equipment	6,015	—	(6,015)	Finding 1
Pretest and post-test coordination	181,446	72,464	(108,982)	Finding 1
Test administration	4,627	16,701	12,074	Finding 1
Reporting and recordkeeping	124,176	3,203	(120,973)	Finding 1
Total salaries and benefits	343,666	98,806	(244,860)	
Materials and supplies:				
Reporting and recordkeeping	—	5,164	5,164	Finding 2
Total direct costs	343,666	103,970	(239,696)	
Indirect costs	14,881	4,585	(10,296)	Finding 3
Total direct and indirect costs	358,547	108,555	(249,992)	
Less offsetting savings/reimbursements	—	(91,915)	(91,915)	Finding 4
Total program costs	\$ 358,547	16,640	\$ (341,907)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 16,640		



## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 29,491	\$ 9,364	\$ (20,127)	Finding 1
Test materials, supplies, and equipment	6,017	—	(6,017)	Finding 1
Pretest and post-test coordination	193,891	79,242	(114,649)	Finding 1
Test administration	4,668	18,753	14,085	Finding 1
Reporting and recordkeeping	132,684	2,572	(130,112)	Finding 1
Total salaries and benefits	<u>366,751</u>	<u>109,931</u>	<u>(256,820)</u>	
Materials and supplies:				
Reporting and recordkeeping	—	5,402	5,402	Finding 2
Total direct costs	366,751	115,333	(251,418)	
Indirect costs	15,881	4,994	(10,887)	Finding 3
Total direct and indirect costs	382,632	120,327	(262,305)	
Less offsetting savings/reimbursements	—	(27,090)	(27,090)	Finding 4
Total program costs	<u>\$ 382,632</u>	<u>93,237</u>	<u>\$ (289,395)</u>	
Less amount paid by the State		(333,244)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (240,007)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 31,924	\$ 11,115	\$ (20,809)	Finding 1
Test materials, supplies, and equipment	6,019	—	(6,019)	Finding 1
Pretest and post-test coordination	210,979	81,194	(129,785)	Finding 1
Test administration	4,710	19,857	15,147	Finding 1
Reporting and recordkeeping	144,353	3,494	(140,859)	Finding 1
Total salaries and benefits	<u>397,985</u>	<u>115,660</u>	<u>(282,325)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	1,212	—	(1,212)	Finding 2
Reporting and recordkeeping	—	6,116	6,116	Finding 2
Total materials and supplies	<u>1,212</u>	<u>6,116</u>	<u>4,904</u>	Finding 2
Total direct costs	399,197	121,776	(277,421)	
Indirect costs	18,243	5,565	(12,678)	Finding 3
Total direct and indirect costs	417,440	127,341	(290,099)	
Less offsetting savings/reimbursements	—	(29,109)	(29,109)	Finding 4
Total program costs	<u>\$ 417,440</u>	<u>98,232</u>	<u>\$ (319,208)</u>	
Less amount paid by the State		(417,440)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (319,208)</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 5,808	\$ 11,873	\$ 6,065	Finding 1
Test materials, supplies, and equipment	6,214	—	(6,214)	Finding 1
Pretest and post-test coordination	238,224	88,722	(149,502)	Finding 1
Test administration	20,442	18,891	(1,551)	Finding 1
Reporting and recordkeeping	146,975	3,371	(143,604)	Finding 1
Total salaries and benefits	417,663	122,857	(294,806)	
Materials and supplies:				
Test materials, supplies, and equipment	135	—	(135)	Finding 2
Test administration	20	—	(20)	Finding 2
Reporting and recordkeeping	—	6,894	6,894	Finding 2
Total materials and supplies	155	6,894	6,739	
Total direct costs	417,818	129,751	(288,067)	
Indirect costs	8,941	2,777	(6,164)	Finding 3
Total direct and indirect costs	426,759	132,528	(294,231)	
Less offsetting savings/reimbursements	—	(31,200)	(31,200)	Finding 4
Total program costs	\$ 426,759	101,328	\$ (325,431)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 101,328		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 112,509	\$ 9,747	\$ (102,762)	Finding 1
Test materials, supplies, and equipment	5,601	—	(5,601)	Finding 1
Pretest and post-test coordination	108,403	85,707	(22,696)	Finding 1
Test administration	62,397	17,835	(44,562)	Finding 1
Reporting and recordkeeping	79,810	4,261	(75,549)	Finding 1
Total salaries and benefits	368,720	117,550	(251,170)	
Materials and supplies:				
Test materials, supplies, and equipment	22,151	—	(22,151)	Finding 2
Reporting and recordkeeping	—	7,079	7,079	Finding 2
Total materials and supplies	22,151	7,079	(15,072)	Finding 2
Total direct costs	390,871	124,629	(266,242)	
Indirect costs	16,691	5,322	(11,369)	Finding 3
Total direct and indirect costs	407,562	129,951	(277,611)	
Less offsetting savings/reimbursements	—	(31,225)	(31,225)	Finding 4
Total program costs	\$ 407,562	98,726	\$ (308,836)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 98,726		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 4,844	\$ 11,939	\$ 7,095	Finding 1
Test materials, supplies, and equipment	3,407	—	(3,407)	Finding 1
Pretest and post-test coordination	2,682	81,785	79,103	Finding 1
Test administration	4,000	19,230	15,230	Finding 1
Reporting and recordkeeping	21,951	4,145	(17,806)	Finding 1
Total salaries and benefits	36,884	117,099	80,215	
Materials and supplies:				
Training, policies, and procedures	150	—	(150)	Finding 2
Test materials, supplies, and equipment	237	—	(237)	Finding 2
Reporting and recordkeeping	237	7,515	7,278	Finding 2
Total materials and supplies	624	7,515	6,891	
Total direct costs	37,508	124,614	87,106	
Indirect costs	2,131	7,077	4,946	Finding 3
Total direct and indirect costs	39,639	131,691	92,052	
Less offsetting savings/reimbursements	—	(31,829)	(31,829)	Finding 4
Less allowable costs that exceed claimed costs <sup>2</sup>	—	(60,223)	(60,223)	
Total program costs	\$ 39,639	39,639	\$ —	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 39,639		
<u>Summary: July 1, 1997, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 237,353	\$ 70,048	\$ (167,305)	
Test materials, supplies, and equipment	39,286	—	(39,286)	
Pretest and post-test coordination	1,107,212	583,650	(523,562)	
Test administration	105,433	135,063	29,630	
Reporting and recordkeeping	767,378	24,822	(742,556)	
Total salaries and benefits	2,256,662	813,583	(1,443,079)	
Materials and supplies:				
Training, policies, and procedures	150	—	(150)	
Test materials, supplies, and equipment	23,735	—	(23,735)	
Test administration	20	—	(20)	
Reporting and recordkeeping	237	43,157	42,920	
Total materials and supplies	24,142	43,157	19,015	
Total direct costs	2,280,804	856,740	(1,424,064)	
Indirect costs	90,840	37,235	(53,605)	
Total direct and indirect costs	2,371,644	893,975	(1,477,669)	
Less offsetting savings/reimbursements	—	(359,622)	(359,622)	
Less allowable costs that exceed claimed costs <sup>2</sup>	—	(60,223)	(60,223)	
Total program costs	\$ 2,371,644	474,130	\$ (1,897,514)	
Less amount paid by the State		(750,684)		
Allowable costs claimed in excess of (less than) amount paid		\$ (276,554)		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2003-04.

# Findings and Recommendations

## **FINDING 1— Unsupported salaries and benefits, and related indirect costs**

The district claimed \$2,256,662 in salaries and benefits for the audit period. The district did not provide support for the salaries and benefits it claimed. The district used a mandated-costs consulting firm—Reynolds Consulting Group, Inc.—to prepare the mandate claims for the audit period. The district stated that it was not able to obtain documentation from the consultant to support claimed costs.

In lieu of determining that the entire claim costs are unsupported, we worked with the district to develop alternative methods to identify allowable salaries and benefits; the district agreed to the methods. Based on the audit results, allowable salaries and benefits total \$813,583. The unsupported costs claimed total \$1,443,079 in salaries and benefits and \$55,475 in related indirect costs.

The district provided documentation related to the Spring 2009 STAR (Standardized Testing and Reporting) testing from the district office and sampled schools from four categories of schools—elementary schools, middle schools, high schools, and alternative schools. The district provided various types of documentation, including calendars, attendance records, sign-in sheets, testing schedules, student cumulative files, and security affidavits. We reviewed the source documentation, observed reporting and recordkeeping activities performed by support staff, interviewed site coordinators, and verified verbal assertions for pretest and post-test coordination activities.

Supported costs were divided by the number of students tested in the sampled schools to arrive at a time standard per student for the district office and each category of schools. The time standards were applied to the number of students tested each year for the audit period and the productive hourly rate of individuals performing the reimbursable activities.

We determined reimbursable salaries and benefits by multiplying the audit results by the reimbursable mandate percentages based on test results published on the California Department of Education's (CDE) STAR website. The district administers the following STAR tests: (1) California Standards Tests (CST); (2) California Alternate Performance Assessment (CAPA); (3) California Achievement Test, Sixth Edition Survey (CAT/6 Survey), which replaced the Stanford Achievement test, Ninth Edition (SAT-9) effective for FY 2002-03; and (4) Spanish Assessment of Basic Education, Second Edition (SABE/2). The CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate.

Based on CDE's published test results, the reimbursable mandate percentages are as follows: 100% for FY 1997-98, 70.31% for FY 1998-99, 70.22% for FY 1999-2000, 63.87% for FY 2000-01, 64.69% for FY 2001-02, 63.48% for FY 2002-03, and 60.97% for FY 2003-04.

The following table summarizes the net overstated claimed costs for salaries and benefits by reimbursable activities and related indirect costs:

	Fiscal Year							
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	Total
Salaries and benefits:								
Training, policies, and procedures	\$ (15,803)	\$ (20,964)	\$ (20,127)	\$ (20,809)	\$ 6,065	\$(102,762)	\$ 7,095	\$ (167,305)
Test materials, supplies, and equipment	(6,013)	(6,015)	(6,017)	(6,019)	(6,214)	(5,601)	(3,407)	(39,286)
Pretest and post-test coordination	(77,051)	(108,982)	(114,649)	(129,785)	(149,502)	(22,696)	79,103	(523,562)
Test administration	19,207	12,074	14,085	15,147	(1,551)	(44,562)	15,230	29,630
Reporting and recordkeeping	(113,653)	(120,973)	(130,112)	(140,859)	(143,604)	(75,549)	(17,806)	(742,556)
Total salaries and benefits	(193,313)	(244,860)	(256,820)	(282,325)	(294,806)	(251,170)	80,215	(1,443,079)
Indirect costs	(8,371)	(10,603)	(11,121)	(12,902)	(6,308)	(10,725)	4,555	(55,475)
Audit adjustment	\$(201,684)	\$(255,463)	\$(267,941)	\$(295,227)	\$(301,114)	\$(261,895)	\$ 84,770	\$ (1,498,554)

The program's parameters and guidelines (section VI.A.) state:

... all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. Documents may include, but are not limited to, worksheets, employee time records or time logs, cost allocation reports (system generated), invoices, receipts, purchase orders, contracts, agendas, training packets with signatures and logs of attendees, calendars, declarations, and data relevant to the reimbursable activities. . . .

The parameters and guidelines (section IV.D.) state:

Time spent by the classroom teacher during his or her normal classroom for test administration is not reimbursable.

The parameters and guidelines (section V.A.1.) state:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The parameters and guidelines (section IV.B.1.) state:

... Test Materials, Supplies, and Equipment (*Reimbursement period: January 2, 1998 – December 15, 1999*).

### Recommendation

We recommend that the district strengthen internal controls over the mandated claim process to ensure that it maintains documentation supporting claimed costs. We also recommend that the district ensure that all costs claimed are reimbursable under the parameters and guidelines, and that they are properly supported with source documents.

**FINDING 2—  
Misstated materials  
and supplies, and  
related indirect costs**

The district claimed \$24,142 in materials and supplies for the audit period. Our audit determined that claimed costs were understated by \$19,015. The related indirect costs total \$789.

The district claimed \$23,905 in costs related to training, policies, and procedures; test materials, supplies, and equipment; and test administration. Although support was provided, the test materials, supplies, and equipment are no longer eligible for reimbursement as of December 15, 1999.

The district did not claim any materials and supplies related to reporting and recordkeeping. We determined that materials and supplies related to unclaimed reporting and recordkeeping costs total \$42,920.

The following table summarizes the net understatement for materials and supplies and related indirect costs by reimbursable activities and related indirect costs:

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Materials and supplies:								
Training, policies, and procedures	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (150)	\$ (150)
Test materials, supplies, and equipment	—	—	—	(1,212)	(135)	(22,151)	(237)	(23,735)
Test administration	—	—	—	—	(20)	—	—	(20)
Reporting and recordkeeping	4,987	5,164	5,402	6,116	6,894	7,079	7,278	42,920
Total materials and supplies	4,987	5,164	5,402	4,904	6,739	(15,072)	6,891	19,015
Indirect costs	216	224	234	224	144	(644)	391	789
Audit adjustment	<u>\$ 5,203</u>	<u>\$ 5,388</u>	<u>\$ 5,636</u>	<u>\$ 5,128</u>	<u>\$ 6,883</u>	<u>\$(15,716)</u>	<u>\$ 7,282</u>	<u>\$ 19,804</u>

The parameters and guidelines (section IV.E.) state:

The cost of materials and supplies used for reporting (including paper and envelopes), the cost of postage for mailing reports to parents, and the cost of computer programming used for reporting purposes is reimbursable under this activity.

The parameters and guidelines (section V.A.2.) state:

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities.

**Recommendation**

We recommend that the district strengthen internal controls over the mandated claim process to ensure that it maintains documentation supporting claimed costs. We also recommend that the district ensure that all costs claimed are properly supported with source documents.

**FINDING 3—  
Understated indirect  
cost rates**

The district understated allowable indirect cost by \$1,081 because it used the CDE's FY 1999-2000 approved rate for its FY 1997-98 and FY 1998-99 claims.

The following table summarizes the understated indirect costs:

	Fiscal Year		Total
	1997-98	1998-99	
Actual indirect cost rate	5.06%	4.41%	
Claimed indirect cost rate	4.33%	4.33%	
Understated indirect cost rate	0.73%	0.08%	
Allowable direct costs	× \$ 136,667	× \$ 103,970	
Audit adjustment	\$ 998	\$ 83	\$ 1,081

The parameters and guidelines (section V.B.) states:

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

**Recommendation**

We recommend that the district use the indirect cost rates approved by the CDE when filing its mandate claims.

**FINDING 4—  
Understated  
offsetting savings/  
reimbursements**

The district understated offsetting savings/reimbursements on the claims by \$359,622 because it did not report any of the \$481,759 STAR apportionments it received from the CDE for the audit period. We determined the mandate portion of the STAR apportionments based on information obtained from the CDE's website (see Finding 1).

The following table summarizes the understated offsetting savings/reimbursements on the claim:

	Fiscal Year						Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	
STAR Program apportionments:							
CDE apportionment	\$(117,254)	\$(130,728)	\$(38,579)	\$(45,575)	\$(48,230)	\$(49,188)	\$(52,205)
Mandate-related percentage	× 100%	× 70.31%	× 70.22%	× 63.87%	× 64.69%	× 63.48%	× 60.97%
Mandate-related apportionment	(117,254)	(91,915)	(27,090)	(29,109)	(31,200)	(31,225)	(31,829)
Less claimed CDE apportionment	—	—	—	—	—	—	—
Audit adjustment	<u>\$(117,254)</u>	<u>\$(91,915)</u>	<u>\$(27,090)</u>	<u>\$(29,109)</u>	<u>\$(31,200)</u>	<u>\$(31,225)</u>	<u>\$(31,829)</u>
							<u>\$(359,622)</u>

The parameters and guidelines (section VII) state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, including but not limited to, service fees collected, federal funds and other state funds shall be identified and deducted from the claim.

**Recommendation**

We recommend that the district ensure that, on its claims, all applicable revenues are offset against its mandated program costs.

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